

CITY OF MORGAN HILL
SPECIAL REDEVELOPMENT AGENCY MEETING
MINUTES - JANUARY 5, 2000

CALL TO ORDER

Chairperson Kennedy called the meeting to order at 7:00 p.m.

ROLL CALL ATTENDANCE

Present: Agency Members Chang, Cook Sellers, Tate and Chairperson Kennedy

DECLARATION OF POSTING OF AGENDA

Agency Secretary Torrez certified that the meeting's agenda was duly noticed and posted in accordance with Government Code Section 54954.2.

PLEDGE OF ALLEGIANCE

OPPORTUNITY FOR PUBLIC COMMENTS

Chairman Kennedy opened the floor to public comment.

John Dossetti stated that he was not an advocate of eminent domains. However, he would support its use in order to retain a medical facility in Morgan Hill. He read a news article that Cisco, a major employer, will be locating in south San Jose, necessitating the need for a local hospital to meet the medical needs of the community.

Shirley Hidgson said that she was offended by the loss of the local hospital. She recommended that the City make it be known that the St. Louise Hospital property will not be rezoned for any other use. She did not support converting the hospital building for a private school. She felt that there were other sites suited for a private school. She would support the reelection of Council Members in support of the retention of the hospital. She requested that the Council act swiftly and decisively.

Joan Harkness noted that the senior center has been dropped as one of the RDA Visioning projects. She said that senior citizens are hoping that the senior center is still alive and a viable project.

No other comments were offered.

OTHER BUSINESS:

1) AMENDMENT TO BUSINESS TERMS WITH DiSALVO FOR THE RELOCATION AND REHABILITATION OF THE MORGAN HILL ELEMENTARY SCHOOL BUILDING

Director of Business Assistance and Housing Services Toy presented the staff report and indicated that staff met with Mr. DiSalvo and Gary Walton this afternoon. Mr. Walton indicated that they would not be able

to pay interest on the loan portion as it would render the project financially infeasible. He said that Mr. Walton would agree to the previous proposal with some minor revisions (10 year deferral period, proceeds to be received from the School District for the building are to be given to the Agency). He said that Mr. DiSalvo has indicated that should the Agency not agree to these revised terms, they would pass on the project.

Agency Member Tate said that it was clear from the last meeting that the Agency was trying to establish a financial limit on what it is willing to spend for the relocation of the school building. There were several discussions with Mr. DiSalvo to brainstorm ideas (i.e., lump interest, placing a lien against the property, stepping the interest overtime). It is now being stated that the project will not be financially feasible if Mr. DiSalvo and Mr. Walton's terms are not met. He said that the City-School Liaison Committee met this morning. A meeting is scheduled next Monday to discuss whether the School District would be willing to make some contribution toward the restoration of the property. He indicated that there has not been much progress made toward finding a closure to pencil something in that will work for both sides. He said that the financial assistance package is beyond what he can support.

Mr. Toy confirmed that the estimate to relocate the school building is approximately \$300,000. The fees and offsite improvements would estimate approximately \$300,000, with the total cost being requested at approximately \$606,000 (combination loan/grant to the developer). The Agency would be responsible for the demolition of the site with some additional costs associated with the restoration of the site up to \$100,000. He said that staff has a verbal estimate from the mover for the building that it can be done for approximately \$52,000.

Chairman Kennedy said that it was his experience with similar projects that the only improvement that would be needed is returning the site to a safe condition. The next project (e.g., Community Center) will have some of the excavation dirt used on site to fill the holes. These costs may help reduce the cost to less than \$52,000 to make the site safe.

Agency Member Sellers said that the last thing that the Agency would want to do is make improvements that may need to be redone that would result in additional costs in the future.

Mr. Toy said that the cost bid was approximately less than \$150,000 to demolish the school building, with the net difference of a little over \$450,000 between demolition of the building and restoring the building. He informed the Agency that \$300,000 was spent to rehabilitate the Villa Viramonte.

Chairman Kennedy felt that if the building is to be restored, he would support the action if there is an agreement by the developer/school to allow the use the building for public use such as recreational and community meetings. He felt that the public benefit would justify the expenditure and more important, the restoration of a historical structure.

Mr. Toy said that the agreement contains a clause that allows for some public access use to be further negotiated. He recommended that the Agency allow the developer to address their commitment level.

Chairperson Kennedy opened the floor to public comment.

Mr. DiSalvo said that there is a provision in the lease for the use of the facility by the public. He has spoken with Carden Academy and stated that they have agreed to allow the use of the facility provided that it did not interfere with the use of their school. He said that the lease stipulates that if there is an expense to the school, this expense would be passed on to whomever uses the facility.

Vice-chairwoman Cook was unclear from the staff report presented this evening whether the developer would agree to pay any interest on the loan.

Mr. DiSalvo said that he is requesting that the interest be forgiving for 10 years. After 10 years, interest would be paid on the loan and that the loan would be amortized.

Mr. Toy identified the proposed modifications to the addendum distributed this evening.

Vice-chairwoman Cook asked if the Agency would be picking up any of the cost associated with the relocation of the fourplex structure? Mr. Toy said that it is unknown whether there would be any relocation costs. If there are any relocation costs associated with the project, it would be paid by the developer.

Agency Member Tate said that he tried to do everything that he could to save the building as it is worth saving. However, projects have to have limits established in order to make sure that all other visioning projects are completed.

Action: Agency Member Sellers made a motion, seconded by Chairman Kennedy to:

- 1) **Approve** an Amendment to the Business Terms with DiSalvo for the Relocation and Rehabilitation of the Morgan Hill Elementary School as modified previously and this evening (e.g., loan to be forgiven for 10 years, payments deferred for 10 years, approving a grant up to \$350,000, any proceeds from the School District go to the Agency in order to reduce Agency project cost)
- 2) **Direct** Staff to Negotiate and Prepare an Agreement with J.L. DiSalvo and His Project Team

Vice-chairwoman Cook stated that she would not be supporting the motion. She stated that she was willing to fund \$150,000 because this was going to be the cost to the Agency to demolish the building. She expressed concern that the Agency is going over budget to that allocated for the Community Center. She noted that the removal of the school was not on the RDA list on the ballot that went before the voters. She expressed concern that the Agency is allocating more money similar to what was done with the old RDA.

Chairman Kennedy stated his support of the motion because it is good for the community and worth the expenditure.

Agency Member Chang stated that she would support the motion. She said that Berryessa has a school building and Campbell has a community center which are similarly designed. Both buildings are being operated by private enterprises.

Chairman Kennedy opened the floor to public comment.

John Dossetti felt that the building can be moved by the developer. He said that he heard today that the Governor's biggest budget expenditure will be for education. He recommended that the Agency research to see if the State has any educational funding to assist with the retention of the building as he did not want to see the building demolished.

Joan Harkness supported Agency Member Cook's and Tate's position as she felt that the money should be used for the community at large.

The following Live Oak High School senior students offered the following comments: Fred Bermea did not believe that it was worth spending all the money proposed; Neil Gandhi supported the relocation of the school building and that it be retained as a school, stated his support of the use of public funds for either a private or public school as it helps the future of students and the progress of Morgan Hill; and Justin Kamerman stated that the conversion of a public school building to a private one results in the loss of the building's historical significance. He did not believe public funds should be used to build private schools.

Shirley Higsdon supported restoring and saving the school building. She recommended that the historical heritage be saved and that it be used by the community.

No other comments were offered.

Vote: *The motion carried 3-2 with Vice-chairwoman Cook and Agency Member Tate voting no.*

Agency Member Sellers said that relocation of the building was not anticipated at the time of formulating the visioning projects. He considered the issue and noted that less than 25% is being put toward the cost of the building that will be used by the youth of the community and the public. He noted that there are limited playing fields in the Llagas Valley and that approval of the relocation of the building and its use as a private school will provide additional playing fields for this area of town. Approval will also save a historic building in the community. These were his reasons for supporting the issue and the motion.

Agency Member Chang said that six years ago, as a School Board Member, the School District approached the City to request that the City purchase and preserve the school site. Saving the school building was always in the back of several individuals' minds. She understands that financing of the project is higher than what she would like it to be. However, she felt that the relocation and preservation of the building will be a pride for the community similar to that of Villa Viramonte.

FUTURE AGENCY-INITIATED AGENDA ITEMS:

- S Goal setting workshop with the Interim City Manager. (Tate/Kennedy)
- S Policy that will be used for borrowing and establishing debt for the new RDA. Accountings of where the Agency stands in the amount collected from the old RDA and when will money be collected from the new RDA (Cook).

S Schedule a workshop to discussion City/RDA projects (Chang)

ADJOURNMENT: There being no further business, Chairperson adjourned the Redevelopment Agency and the City Council Special Meeting at 8:02 p.m.

MINUTES RECORDED AND PREPARED BY:

IRMA TORREZ, Agency Secretary